



Nquthu Local Municipality
Financial statements
for the year ended 30 June 2015

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

General Information

Nature of business and principal activities	Local Municipality
The following is included in the scope of operation	Provision of basic service to the community as per the powers and functions as stated in the Constitution of the Republic of South Africa
Executive Committee	Cllr. EN Molefe (Mayor) Cllr. SM Kunene (Deputy Mayor) Cllr. NM Zungu Cllr. RS Nyamane Cllr. ML Dlamini Cllr. NS Mkhize
Ordinary Councillors	Cllr. Z Sithole Cllr. JC Ndlovu Cllr. SM Buthelezi Cllr. GAN Buthelezi Cllr. LS Sangweni Cllr. SM Shabangu Cllr. TW Madondo Cllr. RS Langa Cllr. KS Selepe Cllr. S Buthelezi Cllr. HM Moloi Cllr. RA Ndlovu Cllr. SMC Zikode Cllr. CT Buthelezi Cllr. GH Buthelezi Cllr. LS Hoffman Cllr. V Ngobese Cllr. FA Hlatshwayo Cllr. TM Ndlovu Cllr. PP Khoza Cllr. EM Mkhwanazi Cllr. ME Mnguni Cllr. SP Mazibuko Cllr. SJ Mkhwanazi Cllr. ZG Ngcobo Cllr. BI Zwane Cllr. ET Zulu Cllr. FE Khumalo
Grading of local authority	Grade 3
Accounting Officer	Mr. Bonginkosi Paul Gumbi
Chief Finance Officer (CFO)	Mr. Welcome Sakhile Mpanza
Registered office	Municipal Building 83/11 Mdlaose Street Nquthu 3135
Business address	Municipal Building 83/11 Mdlaose Street

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

General Information

	Nquthu 3135
Postal address	Private Bag X 5521 Nquthu 3135
Banker	ABSA South Africa
Auditors	Auditor General
Attorneys	Rafiq Khan Inc.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 56, which have been prepared on the going concern basis, were approved by the municipal council on 31 August 2015 and were signed on its behalf by:

Accounting Officer
Designation

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	10	868 797	857 654
Receivables from exchange transactions	11	9 222 609	9 507 341
Receivables from non-exchange transactions	12	9 134 886	6 410 029
VAT receivable	13	5 580 550	2 633 378
Prepayments	9	1 390 095	60 700
Cash and cash equivalents	15	114 532 960	94 959 860
		140 729 897	114 428 962
Non-Current Assets			
Investment property	4	1 021 840	1 090 493
Property, plant and equipment	5	201 823 667	163 882 172
Intangible assets	6	460 195	61 833
Heritage assets	7	78 888	78 888
		203 384 590	165 113 386
Total Assets		344 114 487	279 542 348
Liabilities			
Current Liabilities			
Payables from exchange transactions	20	19 406 915	4 349 991
Consumer deposits	21	488 494	375 147
Unspent conditional grants and receipts	17	14 525 899	6 520 086
Provisions	18	2 975 132	2 089 161
Current portion long-term liabilities	19	242 142	521 323
Employee benefit obligation -current portion		103 683	-
		37 742 265	13 855 708
Non-Current Liabilities			
Employee benefit obligation	8	1 246 247	1 231 991
Long-term loan	19	125 643	367 083
		1 371 890	1 599 074
Total Liabilities		39 114 155	15 454 782
Net Assets		305 000 332	264 087 566
Reserves			
Housing Development Fund		94 951	-
Accumulated surplus		304 905 381	264 087 566
Total Net Assets		305 000 332	264 087 566

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Service charges	24	12 230 108	15 328 220
Rental of facilities and equipment		485 304	519 390
Licences and permits		84 526	-
Miscellaneous other revenue		541 981	613 363
Commissions received		106 635	88 426
Interest received - investment		7 519 854	5 949 870
Property rates	23	17 837 519	12 675 865
Interest on late payments		1 264 854	956 100
Government grants & subsidies	25	132 859 284	124 513 513
Fines, Penalties and Forfeits		629 383	416 243
Total revenue		173 559 448	161 060 990
Expenditure			
Employee Costs	28	(31 111 275)	(25 612 456)
Remuneration of councillors	29	(9 388 737)	(8 519 657)
Depreciation and amortisation	32	(8 343 312)	(5 760 880)
Finance costs	33	(28 540)	(46 657)
Lease rentals on operating lease		(2 934)	(39 005)
Debt Impairment	30	(1 361 591)	-
Repairs and maintenance		(5 378 913)	(3 590 267)
Bulk purchases	38	(17 314 896)	(15 718 276)
Contracted services	36	(2 806 041)	(2 988 371)
Grants operational expenditure	37	(28 429 106)	(14 579 099)
General Expenses	27	(31 184 823)	(23 978 404)
Total expenditure		(135 350 168)	(100 833 072)
Operating surplus		38 209 280	60 227 918
Loss on disposal of assets and liabilities		(20 127)	(129 808)
Surplus for the year		38 189 153	60 098 110

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

	Housing Development Fund	Accumulated surplus	Total net assets
Figures in Rand			
Balance at 01 July 2013	-	203 989 456	203 989 456
Changes in net assets			
Surplus for the year	-	60 098 110	60 098 110
Total changes	-	60 098 110	60 098 110
Balance at 01 July 2014	-	266 716 228	266 716 228
Changes in net assets			
Surplus for the year	94 951	38 189 153	38 284 104
Total changes	94 951	38 189 153	38 284 104
Balance at 30 June 2015	94 951	304 905 381	305 000 332
Note(s)			

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		8 712 130	10 705 600
Grants		132 485 685	122 480 128
Interest income		7 519 854	5 949 870
Other receipts		13 072 890	11 511 570
		<u>161 790 559</u>	<u>150 647 168</u>
Payments			
Employee costs		(39 090 835)	(32 685 697)
Suppliers		(58 770 128)	(61 326 180)
Finance costs		(28 540)	(45 537)
		<u>(97 889 503)</u>	<u>(94 057 414)</u>
Net cash flows from operating activities	39	<u>63 901 056</u>	<u>56 589 754</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(69 207 605)	(42 024 782)
Proceeds from sale of property, plant and equipment		23 061 533	283 469
Purchase of other intangible assets	6	(488 569)	-
Net cash flows from investing activities		<u>(46 634 641)</u>	<u>(41 741 313)</u>
Cash flows from financing activities			
Movement in loan - long-term loan		(520 621)	(815 116)
Movement in other liability 2		103 683	-
Finance lease payments		-	(13 440)
Net cash flows from financing activities		<u>(416 938)</u>	<u>(828 556)</u>
Net increase in cash and cash equivalents		16 849 477	14 019 885
Cash and cash equivalents at the beginning of the year		94 959 860	80 939 985
Cash and cash equivalents at the end of the year	15	<u>111 809 337</u>	<u>94 959 870</u>

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	17 347 061	-	17 347 061	12 230 108	(5 116 953)	Appendix E(1)
Rental of facilities and equipment	523 590	61 974	585 564	485 304	(100 260)	Appendix E(1)
Licences and permits	-	-	-	84 526	84 526	Appendix E(1)
Miscellaneous other revenue	408 070	-	408 070	541 981	133 911	Appendix E(1)
Commissions received	84 000	77 634	161 634	106 635	(54 999)	Appendix E(1)
Interest received - investment	2 000 000	1 700 000	3 700 000	7 519 854	3 819 854	Appendix E(1)
Total revenue from exchange transactions	20 362 721	1 839 608	22 202 329	20 968 408	(1 233 921)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 333 648	-	17 333 648	17 837 519	503 871	Appendix E(1)
Property rates - penalties imposed	726 208	-	726 208	1 264 854	538 646	Appendix E(1)
Transfer revenue						
Government grants & subsidies	133 709 000	3 988 000	137 697 000	132 859 284	(4 837 716)	Appendix E(1)
Fines, Penalties and Forfeits	245 000	-	245 000	629 383	384 383	Appendix E(1)
Total revenue from non-exchange transactions	152 013 856	3 988 000	156 001 856	152 591 040	(3 410 816)	
Total revenue	172 376 577	5 827 608	178 204 185	173 559 448	(4 644 737)	
Expenditure						
Personnel	(38 290 770)	842 055	(37 448 715)	(31 111 275)	6 337 440	Appendix E(1)
Remuneration of councillors	(13 433 159)	34 000	(13 399 159)	(9 388 737)	4 010 422	Appendix E(1)
Depreciation and amortisation	(5 500 000)	(2 843 312)	(8 343 312)	(8 343 312)	-	Appendix E(1)
Finance costs	(17 950)	118 050	100 100	(28 540)	(128 640)	Appendix E(1)
Lease rentals on operating lease	(33 141)	-	(33 141)	(2 934)	30 207	Appendix E(1)
Debt Impairment	(1 000 000)	(361 591)	(1 361 591)	(1 361 591)	-	Appendix E(1)
Repairs and maintenance	(13 927 712)	1 168 000	(12 759 712)	(5 378 913)	7 380 799	Appendix E(1)
Bulk purchases	(17 000 000)	1 173 000	(15 827 000)	(17 314 896)	(1 487 896)	Appendix E(1)
Contracted Services	(2 694 530)	146 000	(2 548 530)	(2 806 041)	(257 511)	Appendix E(1)
Transfers and Subsidies	(6 278 000)	207 718	(6 070 282)	(28 429 106)	(22 358 824)	Appendix E(1)
General Expenses	(39 368 169)	-	(39 368 169)	(31 184 823)	8 183 346	Appendix E(1)
Total expenditure	(137 543 431)	483 920	(137 059 511)	(135 350 168)	1 709 343	
Operating surplus	34 833 146	6 311 528	41 144 674	38 209 280	(2 935 394)	
Loss on disposal of assets and liabilities	-	-	-	(20 127)	(20 127)	Appendix E(1)
Surplus before taxation	34 833 146	6 311 528	41 144 674	38 189 153	(2 955 521)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	34 833 146	6 311 528	41 144 674	38 189 153	(2 955 521)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Reconciliation

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	808 000	-	808 000	868 797	60 797	Appendix E(1)
Receivables from exchange transactions	6 038 000	-	6 038 000	9 222 609	3 184 609	Appendix E(1)
Receivables from non-exchange transactions	-	-	-	9 134 886	9 134 886	Appendix E(1)
VAT receivable	-	-	-	5 580 550	5 580 550	Appendix E(1)
Prepayments	-	-	-	1 390 095	1 390 095	Appendix E(1)
Cash and cash equivalents	109 234 000	-	109 234 000	114 532 960	5 298 960	Appendix E(1)
	116 080 000	-	116 080 000	140 729 897	24 649 897	
Non-Current Assets						
Investment property	-	-	-	1 021 840	1 021 840	Appendix E(1)
Property, plant and equipment	68 312 000	-	68 312 000	201 823 667	133 511 667	Appendix E(1)
Intangible assets	-	-	-	460 195	460 195	Appendix E(1)
Heritage assets	-	-	-	78 888	78 888	Appendix E(1)
	68 312 000	-	68 312 000	203 384 590	135 072 590	
Total Assets	184 392 000	-	184 392 000	344 114 487	159 722 487	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	-	19 406 906	19 406 906	Appendix E(1)
Consumer deposits	-	-	-	488 494	488 494	Appendix E(1)
Unspent conditional grants and receipts	-	-	-	14 525 899	14 525 899	Appendix E(1)
Provisions	2 201 000	-	2 201 000	2 975 132	774 132	Appendix E(1)
Current portion long-term liabilities	(550 370)	-	(550 370)	242 142	792 512	Appendix E(1)
Employee benefit obligation - current portion	-	-	-	103 683	103 683	
	1 650 630	-	1 650 630	37 742 256	36 091 626	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	1 246 247	1 246 247	Appendix E(1)
Long-term loan	151 000	-	151 000	125 643	(25 357)	Appendix E(1)
	151 000	-	151 000	1 371 890	1 220 890	
Total Liabilities	1 801 630	-	1 801 630	39 114 146	37 312 516	
Net Assets	182 590 370	-	182 590 370	305 000 341	122 409 971	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital replacement reserve	-	-	-	94 951	94 951	

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Accumulated surplus	182 590 370	-	182 590 370	304 905 390	122 315 020	Appendix E(1)
Total Net Assets	182 590 370	-	182 590 370	305 000 341	122 409 971	

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	18 059 856	(726 208)	17 333 648	-		17 333 648	19 102 373		1 768 725	110 %	106 %
Service charges	17 347 061	-	17 347 061	-		17 347 061	12 230 108		(5 116 953)	71 %	71 %
Investment revenue	2 000 000	1 700 000	3 700 000	-		3 700 000	7 519 854		3 819 854	203 %	376 %
Transfers recognised - operational	104 489 000	-	104 489 000	-		104 489 000	105 683 727		1 194 727	101 %	101 %
Other own revenue	1 260 660	-	1 260 660	-		1 260 660	1 847 829		587 169	147 %	147 %
Total revenue (excluding capital transfers and contributions)	143 156 577	973 792	144 130 369	-		144 130 369	146 383 891		2 253 522	102 %	102 %
Employee costs	(38 290 770)	354 822	(37 935 948)	-	-	(37 935 948)	(31 111 275)	-	6 824 673	82 %	81 %
Remuneration of councillors	(13 433 159)	-	(13 433 159)	-	-	(13 433 159)	(9 388 737)	-	4 044 422	70 %	70 %
Debt impairment	(1 000 000)	-	(1 000 000)			(1 000 000)	(1 361 591)	-	(361 591)	136 %	136 %
Depreciation and asset impairment	(5 500 000)	-	(5 500 000)			(5 500 000)	(8 343 312)	-	(2 843 312)	152 %	152 %
Finance charges	(17 950)	(12 000)	(29 950)	-	-	(29 950)	(28 540)	-	1 410	95 %	159 %
Materials and bulk purchases	(17 000 000)	(1 173 000)	(18 173 000)	-	-	(18 173 000)	(17 314 896)	-	858 104	95 %	102 %
Transfers and grants	(6 278 000)	-	(6 278 000)	-	-	(6 278 000)	(28 429 106)	-	(22 151 106)	453 %	453 %
Other expenditure	(56 023 552)	-	(56 023 552)	-	-	(56 023 552)	(39 392 838)	-	16 630 714	70 %	70 %
Total expenditure	(137 543 431)	(830 178)	(138 373 609)	-	-	(138 373 609)	(135 370 295)	-	3 003 314	98 %	98 %
Surplus/(Deficit)	5 613 146	143 614	5 756 760	-		5 756 760	11 013 596		5 256 836	191 %	196 %

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	29 220 000	-	29 220 000	-		29 220 000	27 175 557		(2 044 443)	93 %	93 %
Surplus (Deficit) after capital transfers and contributions	34 833 146	143 614	34 976 760	-		34 976 760	38 189 153		3 212 393	109 %	110 %
Surplus/(Deficit) for the year	34 833 146	143 614	34 976 760	-		34 976 760	38 189 153		3 212 393	109 %	110 %
Capital expenditure and funds sources											
Total capital expenditure	76 559 312	-	76 559 312	-		76 559 312	42 024 782		(34 534 530)	55 %	55 %
Cash flows											
Net cash from (used) operating	25 296 000	-	25 296 000	-		25 296 000	63 901 056		38 605 056	253 %	253 %
Net cash from (used) investing	(70 691 000)	-	(70 691 000)	-		(70 691 000)	(46 634 641)		24 056 359	66 %	66 %
Net cash from (used) financing	(550 000)	-	(550 000)	-		(550 000)	(416 938)		133 062	76 %	76 %
Net increase/(decrease) in cash and cash equivalents	(45 945 000)	-	(45 945 000)	-		(45 945 000)	16 849 477		62 794 477	(37)%	(37)%
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	94 959 860		94 959 860	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(45 945 000)	-	(45 945 000)	-		(45 945 000)	111 809 337		(157 754 337)	(243)%	(243)%

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				13 631 965
Service charges				15 328 220
Investment revenue				5 949 870
Transfers recognised - operational				96 237 941
Other own revenue				1 637 422
Total revenue (excluding capital transfers and contributions)				132 785 418
Employee costs	(33 491 413)	-	(33 491 413)	(25 612 456)
Remuneration of councillors	(10 129 655)	-	(10 129 655)	(8 519 657)
Debt impairment	(2 000 000)	-	(2 000 000)	-
Depreciation and asset impairment	(5 624 570)	-	(5 624 570)	(5 760 880)
Finance charges	(50 113)	-	(50 113)	(46 657)
Materials and bulk purchases	(16 500 000)	-	(16 500 000)	(15 718 276)
Transfers and grants	(9 868 000)	-	(9 868 000)	(14 579 099)
Other expenditure	(42 609 239)	-	(42 609 239)	(30 725 855)
Total expenditure	(120 272 990)	-	(120 272 990)	(100 962 880)
Surplus/(Deficit)				31 822 538
Transfers recognised - capital				28 275 572
Surplus (Deficit) after capital transfers and contributions				60 098 110
Surplus/(Deficit) for the year				60 098 110
Capital expenditure and funds sources				
Total capital expenditure				47 834 038

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				56 589 754
Net cash from (used) investing				(41 741 313)
Net cash from (used) financing				(828 556)
Net increase/(decrease) in cash and cash equivalents				14 019 885
Cash and cash equivalents at the beginning of the year				80 939 985
Cash and cash equivalents at year end				94 959 870

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or,
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is derecognised on disposal, or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.”.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Accounting Policies

1.3 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
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Accounting Policies

1.4 Property, plant and equipment (continued)

Land	Indefinite
Buildings	30
Plant and machinery	3-10
Furniture and fixtures	3-10
Motor vehicles	5
IT equipment	5
Capital work in progress - Roads	
Finance leased Assets	3-5
Investment property	30
Heritage	Indefinite

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The heritage assets will be revalued every five years from initial recognition

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Accounting Policies

1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.7 Financial instruments

Classification and derecognition

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cash flows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset, or the municipality has neither transferred nor retained substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Receivables from exchange transactions

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Accounting Policies

1.7 Financial instruments (continued)

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Accounting Policies

1.9 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

The Municipality and its employees contribute to the Natal Joint Municipal Pension Fund, KwaZulu-Natal Joint Municipal Provident Fund (NJMPF) and the Government Employees Pension Fund (GEPF) which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years.

Whilst employees are employed by the municipality, the municipality contributes to their pension funds and medical aids. On termination, resignation or retirement of employees the municipality no longer contributes on their behalf and thus there are no post employment benefits.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Accounting Policies

1.12 Employee benefits (continued)

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised.

The municipality has a landfill site, although this has been since been discontinued to function due to environmental concerns.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

Accounting Policies

1.13 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. The revenue from summonses is recognised when the offender is issued with the fine.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Interest and rental income

Interest is recognised using the effective interest rate method. Rentals are recognised on a time proportion basis.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

Accounting Policies

1.19 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is also any expenditure incurred in contravention of the municipality's supply chain management policy.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.22 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Commitments

The municipality at the end of the reporting period will have commitments in relation to the transactions in progress that will be finished after reporting date.

These will be disclosed in the commitments indicating if they are contracted or not. The property, plant and equipment note will also detail those projects that are under construction as at reporting date.

The commitment will arise either if the transaction was concluded at year-end or not in relation to the signing of the contract. If the bidding process is still under way the commitment will also be raised.

1.26 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Unable to reliably estimate the impact
• GRAP108: Statutory Receivables	01 April 2016	Unable to reliably estimate the impact
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Unable to reliably estimate the impact
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	Unable to reliably estimate the impact

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 999 640	(977 800)	1 021 840	1 999 640	(909 147)	1 090 493

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	1 090 493	(68 653)	1 021 840

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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4. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	1 159 078	(68 585)	1 090 493

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 270 852	-	13 270 852	13 270 852	-	13 270 852
Buildings	45 000 308	(8 718 864)	36 281 444	37 561 885	(6 990 366)	30 571 519
Plant and machinery	4 818 961	(1 859 590)	2 959 371	4 748 467	(1 570 355)	3 178 112
Furniture and fixtures	3 889 407	(1 897 667)	1 991 740	3 655 563	(1 486 834)	2 168 729
Motor vehicles	16 800 856	(4 287 251)	12 513 605	13 703 626	(2 529 965)	11 173 661
IT equipment	3 084 958	(1 416 634)	1 668 324	2 462 367	(929 136)	1 533 231
Infrastructure Roads & Stormwater	90 003 625	(17 802 913)	72 200 712	68 012 332	(14 615 138)	53 397 194
Community	3 092 494	(1 339 846)	1 752 648	2 418 926	(1 271 908)	1 147 018
Infrastructure Electricity	12 476 162	(5 781 651)	6 694 511	7 738 183	(5 578 079)	2 160 104
Capital work in progress - Roads	21 554 759	-	21 554 759	24 007 439	-	24 007 439
Capital works in progress - community halls	8 163 084	-	8 163 084	5 242 244	-	5 242 244
Capital works in progress - business incubator	9 200 923	-	9 200 923	8 060 572	-	8 060 572
Capital works in progress - sports infrastructure	5 252 160	-	5 252 160	2 862 127	-	2 862 127
Capital work in progress - Electrification project	536 796	-	536 796	3 703 024	-	3 703 024
Capital work in progress - buildings	6 553 292	-	6 553 292	1 406 346	-	1 406 346
Capital work in progress - Disaster	1 229 446	-	1 229 446	-	-	-
Total	244 928 083	(43 104 416)	201 823 667	198 853 953	(34 971 781)	163 882 172

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	13 270 852	-	-	-	-	13 270 852
Buildings	30 571 519	12 130	-	7 426 293	(1 728 498)	36 281 444
Plant and machinery	3 178 112	279 124	(203 396)	-	(294 469)	2 959 371
Furniture and fixtures	2 168 729	789 519	(526 518)	-	(439 990)	1 991 740
Motor vehicles	11 173 661	3 097 230	-	-	(1 757 286)	12 513 605
IT equipment	1 533 231	644 079	(4 062)	-	(504 924)	1 668 324
Infrastructure Roads & Stormwater	53 397 194	-	-	21 991 293	(3 187 775)	72 200 712
Community	1 147 018	673 568	-	-	(67 938)	1 752 648
Infrastructure Electricity	2 160 104	701 905	-	4 036 074	(203 572)	6 694 511
Capital work in progress - Roads	24 007 439	19 538 612	-	(21 991 292)	-	21 554 759
Capital works in progress - community halls	5 242 244	10 347 133	-	(7 426 293)	-	8 163 084
Capital works in progress - business incubator	8 060 572	1 140 351	-	-	-	9 200 923
Capital works in progress - sports infrastructure	2 862 127	2 390 033	-	-	-	5 252 160
Capital work in progress - Electrification project	3 703 024	23 217 529	(22 347 684)	(4 036 073)	-	536 796
Capital work in progress - buildings	1 406 346	5 146 946	-	-	-	6 553 292
Capital work in progress - Disaster	-	1 229 446	-	-	-	1 229 446
	163 882 172	69 207 605	(23 081 660)	2	(8 184 452)	201 823 667

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	13 270 852	-	-	-	-	13 270 852
Buildings	27 696 052	417 911	-	3 717 840	(1 260 284)	30 571 519
Plant and machinery	2 953 419	497 769	(2 258)	-	(270 818)	3 178 112
Furniture and fixtures	1 512 690	999 805	(2 273)	-	(341 493)	2 168 729
Motor vehicles	8 199 279	4 578 517	(389 390)	-	(1 214 745)	11 173 661
IT equipment	794 832	966 795	(6 973)	-	(221 423)	1 533 231
Infrastructure Roads & Stormwater	33 783 663	-	-	21 645 529	(2 031 998)	53 397 194
Community	1 217 586	-	-	-	(70 568)	1 147 018
Infrastructure Electricity	2 370 529	43 800	-	-	(254 225)	2 160 104
Capital work in progress - Roads	29 772 024	15 880 944	-	(21 645 529)	-	24 007 439
Capital works in progress - community halls	2 573 774	4 544 971	-	(1 876 501)	-	5 242 244
Finance leased Assets	18 564	-	(12 383)	-	(6 181)	-
Capital works in progress - business incubator	2 323 288	5 737 284	-	-	-	8 060 572
Capital works in progress - sports infrastructure	1 455 850	3 247 616	-	(1 841 339)	-	2 862 127
Capital work in progress - Electrification project	-	3 703 024	-	-	-	3 703 024
Capital work in progress - buildings	-	1 406 346	-	-	-	1 406 346
	127 942 402	42 024 782	(413 277)	-	(5 671 735)	163 882 172

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.
For a detailed breakdown of PPE refer to Appendix B and C.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	623 878	(163 683)	460 195	135 309	(73 476)	61 833

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	61 833	488 569	(90 207)	460 195

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, other	82 392	(20 559)	61 833

7. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	78 888	-	78 888	78 888	-	78 888

8. Employee benefit obligations

Defined benefit plan

Long Service Award (LSA)

The Municipality offers employees Long Service Award (LSA) for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly funded	(1 349 930)	(1 231 991)
Employee benefit obligation -current portion	103 683	-
	(1 246 247)	(1 231 991)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	1 231 991	-
Net expense recognised in the statement of financial performance	117 939	1 231 991
	1 349 930	1 231 991

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
8. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	148 949	124 476
Interest cost	93 611	75 469
Actuarial (gains) losses	(8 397)	51 463
Curtailment	-	(39 131)
Assets not recognised	-	1 019 714
Employer Benefit Vestings	(116 224)	-
	117 939	1 231 991

Key assumptions used

Financial Assumptions

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used.

Consequently, a discount rate of 8.17% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.42%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

The average duration of the total liability is 8.31 years.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.16% was obtained from the differential between market yields on index-linked bonds (1.42%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.17%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.17\%-0.50\%)/(1+1.42\%))-1$.

Thus, a general salary inflation rate of 7.16% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.94%. It has been assumed that the next salary increase will take place on 1 July 2016.

9. Prepayments

Prepaid expenses	1 390 095	133 343
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This relates to the Disaster recovery vehicle that is being custom made for the municipality.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
10. Inventories		
Consumable stores	868 797	1 078 700
Inventories (write-downs)	868 797 -	1 078 700 (221 046)
	868 797	857 654
11. Receivables from exchange transactions		
Market stalls rental	660 657	587 231
Refuse	16 647 785	15 424 176
Electricity	1 035 296	1 244 305
Sundry debtors	155 061	166 228
Debt impairment	(9 276 190)	(7 914 599)
	9 222 609	9 507 341
12. Receivables from non-exchange transactions		
Fines	815 300	324 700
Property rates	9 607 971	7 373 714
Provision for impairment	(1 288 385)	(1 288 385)
	9 134 886	6 410 029
13. VAT receivable		
Value Added Tax (VAT)	5 580 550	2 633 378
14. Trade and other receivables		
Less: Allowance for impairment		
Rates	(2 713 977)	(2 713 977)
Electricity	(440 741)	(440 741)
Refuse	(7 407 588)	(6 045 997)
Market stalls rental	(2 268)	(2 268)
	(10 564 574)	(9 202 983)
Rates		
Current (0 -30 days)	247 710	160 953
31 - 60 days	74 329	50 129
61 - 90 days	463 443	340 862
91 - 120 days	409 706	313 228
121 - 365 days	403 852	282 622
> 365 days	6 808 619	6 225 920
	8 407 659	7 373 714
Electricity		
Current (0 -30 days)	633 120	556 830
31 - 60 days	141 896	108 352
61 - 90 days	21 702	23 951
91 - 120 days	6 057	81 970
121 - 365 days	3 056	80 057
> 365 days	230 128	393 145
	1 035 959	1 244 305

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
14. Trade and other receivables (continued)		
Refuse		
Current (0 -30 days)	263 428	258 873
31 - 60 days	185 329	194 543
61 - 90 days	171 317	183 357
91 - 120 days	166 287	171 590
121 - 365 days	169 614	159 074
> 365 days	10 192 042	14 456 739
	11 148 017	15 424 176
Housing rental		
Current (0 -30 days)	29 177	39 227
31 - 60 days	26 674	35 067
61 - 90 days	24 639	30 623
91 - 120 days	21 820	27 813
121 - 365 days	20 576	26 855
> 365 days	538 727	428 425
	661 613	588 010
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	195 571	49 890
31 - 60 days	167 849	13 801
61 - 90 days	238 148	27 009
91 - 120 days	223 090	92 909
121 - 365 days	215 592	30 397
> 365 days	12 464 758	938 537
	13 505 008	1 152 543
Industrial/ commercial		
Current (0 -30 days)	134 927	51 499
31 - 60 days	105 856	33 902
61 - 90 days	313 582	138 952
91 - 120 days	241 543	139 239
121 - 365 days	230 546	147 223
> 365 days	4 789 304	2 828 774
	5 815 758	3 339 589
National and provincial government		
Current (0 -30 days)	28 133	285 004
31 - 60 days	27 483	240 545
61 - 90 days	72 981	290 917
91 - 120 days	43 252	228 537
121 - 365 days	44 610	215 354
> 365 days	525 060	11 098 584
	741 519	12 358 941
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9 202 983)	(9 202 983)
Contributions to allowance	(1 361 591)	-
	(10 564 574)	(9 202 983)

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	14 283 662	4 076 142
Short-term deposits	100 249 298	90 883 718
	114 532 960	94 959 860

Investments

FNB Call Account	323 207	10 098 722
FNB Short-term Investment	21 640 099	27 140 133
Absa Short-term Investment	14 282 660	23 891 617
Nedbank Short-term Investment	20 370 678	18 517 818
Investec Short-term Investment	21 565 128	10 142 247
Absa Call A/C Mpcc	38 511	408 277
Absa Call A/C Small Town	289 314	276 772
Absa Call A/C Incubator	361 389	345 723
Absa Call A/C Housing	94 951	62 410
Standard Bank Short-term Investment	7 113 875	-
Absa Call A/C Electrification	14 169 486	-
	100 249 298	90 883 719

Funds not immediately available are invested with commercial banks in terms of the Cash and Investment policy and Municipal Investment Regulations.

Some other conditional grants agreements require that a separate investment (call account) be opened for them so that interest can be easily identified and accrued to the grant. These being the individual investments mentioned above and the remainder of investments is made up of own cash reserves and those grants not requiring separate investments account.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Cheque Account - 405-3562-762	14 040 054	3 873 569	3 578 938	14 040 054	3 843 095	3 535 322
ABSA BANK - Savings Account Type - 914-2845-014	243 608	232 047	6 288 466	243 608	233 047	6 288 466
Total	14 283 662	4 105 616	9 867 404	14 283 662	4 076 142	9 823 788

16. Finance lease obligation

Interest rates are fixed on the contract date. All lease payments escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The average lease term is 3 years and the average effective borrowing rate was 12% (2014: 12%).

Interest rates are fixed at the contract date. All leases escalate at inflation % p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. **Refer note 5.** All the finance leases have expired

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Government Grant	23 974	23 974
Capacity Building	40 882	40 882
MPCC	500 000	500 000
MFMA	2 602	2 602
Cybercadet	26 997	(159 829)
Intergrated Development Plan Grant	172 531	172 531
Municipal Infrastructure Grant	(2 210 221)	4 832 095
Financial System Grant	-	1
Management Assistance Programme	-	(5)
Municipal Systems Improvement Grant	248 375	(147 277)
FMG	75 512	(3 090)
COGTA Electrification grant	13 970 000	-
Synergistic	-	245 906
Bornem grant	660 690	148 662
Library Volunteer	48 005	8 765
Small business incubator grant	17 986	17 986
Multi-Purpose Centre grant	-	174 157
Sportsfield grant (Isilonjane)	20 331	20 331
DOE Electrification Grant	698 559	25 000
Extended Public Works Grant	191 664	-
Sportsfield Maintenance Grant	38 012	164 479
Nquthu Stadium Grant	-	287 333
Library Support	-	165 583
	14 525 899	6 520 086

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note Appendix F for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised. Other grants require that a separate investment account be opened and this has been complied with.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	193 766	-	-	193 766
Leave pay provision	1 895 395	1 190 619	(304 648)	2 781 366
	2 089 161	1 190 619	(304 648)	2 975 132

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	193 766	-	-	193 766
Leave pay provision	1 880 765	103 001	(88 371)	1 895 395
	2 074 531	103 001	(88 371)	2 089 161

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R 500 000 and the remaining life is 10-12 years.

However in November 2012 the landfill site was permanently closed and no future use was permitted due to environmental regulations. The process to rehabilitate the land is underway. No new provisions are raised since this site is not utilised anymore.

Leave provision

The leave pay provision is based on the number of days each employee has accrued at year-end in terms of the South African Local Government Bargaining Agreement.

19. Long-term loan

Refer to Appendix A for the reconciliation of external loans and further details.

Installments are paid half-yearly on equal installments on each loan, the loans are unsecured.

This loan was for the construction on municipal administration buildings and contracts are available for inspection.

DBSA Loan - account number 100524/2	-	290 114
DBSA Loan - account number 100524/3	367 785	598 292
Less - Current Portion of DBSA Loans	(242 142)	(521 323)
	125 643	367 083

20. Payables from exchange transactions

Trade payables	17 983 999	3 123 718
Accrued bonus	1 338 308	1 153 267
Other payables	84 608	73 006
	19 406 915	4 349 991

21. Consumer deposits

Electricity	488 494	375 147
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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22. Revenue

Service charges	12 230 108	15 328 220
Rental of facilities and equipment	485 304	519 390
Licences and permits	84 526	-
Miscellaneous other revenue	541 981	613 363
Commissions received	106 635	88 426
Interest received - investment	7 519 854	5 949 870
Property rates	17 837 519	12 675 865
Property rates - penalties imposed	1 264 854	956 100
Government grants & subsidies	132 859 284	124 513 513
Fines, Penalties and Forfeits	629 383	416 243
	173 559 448	161 060 990

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	12 230 108	15 328 220
Rental of facilities and equipment	485 304	519 390
Licences and permits	84 526	-
Miscellaneous other revenue	541 981	613 363
Commissions received	106 635	88 426
Interest received - investment	7 519 854	5 949 870
	20 968 408	22 499 269

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	17 837 519	12 675 865
Property rates - penalties imposed	1 264 854	956 100

Transfer revenue

Government grants & subsidies	132 859 284	124 513 513
Fines, Penalties and Forfeits	629 383	416 243
	152 591 040	138 561 721

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
23. Property rates		
Rates received		
Residential	19 353 349	13 934 451
Less: Income forgone	(1 515 830)	(1 258 586)
	17 837 519	12 675 865
Property rates - penalties imposed	1 264 854	956 100
	19 102 373	13 631 965

Valuations

Residential	401 021 000	401 021 000
Commercial	563 348 500	563 348 500
State	399 792 000	399 792 000
Municipal	29 838 000	29 838 000
	1 393 999 500	1 393 999 500

Valuations on land and buildings are performed every 3 years but the valuation roll is valid for four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.015 (2014:R 0.015) is applied to property valuations to determine assessment rates.

Rates are levied on an annual basis with the final date for payment being 30 June 2015 (30 June 2014). Interest at prime plus 2% per annum (2014: 11%) and), is levied on rates outstanding two months after due date.

Different rate randage are charged for different categories of rate payers. Primary statutory rebates is on first R 15 000 of property value, additional rebates were granted to all residential category of ratepayers as contained in the Council's approved Property Rates Policy for R 85 000 through reduction in value.

24. Service charges

Sale of electricity	9 797 702	9 890 804
Refuse removal	2 432 406	5 437 416
	12 230 108	15 328 220

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
25. Government grants and subsidies		
Operating grants		
Equitable share	92 161 000	79 115 000
Cybercadet Grant	333 785	271 864
Municipal Finance Management Grant	1 721 398	1 653 090
Municipal Systems Improvement Grant	534 348	536 278
Synergistic Partnership	245 906	-
MFMA Grant -Provincial	-	102 525
Library Support	917 583	862 419
Grant - Library Volunteer	38 760	45 220
Bornem Grant	530 157	899 595
DOE Infrastructure Electricity	7 826 441	10 316 627
Expanded Public Works Programme	1 062 336	1 480 740
Multi-purpose Center Grant	145 546	786 989
DLGTA - IDP	-	32 073
Sportfield maintenance grant	166 467	135 521
	105 683 727	96 237 941
Capital grants		
Municipal Infrastructure Grant	26 230 224	21 952 302
Sportfield Grant	812 333	1 287 667
CBD Road Rehabilitation	133 000	326 389
Business Incubator Centre	-	4 709 214
	27 175 557	28 275 572
	132 859 284	124 513 513

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	92 161 000	45 398 513
Unconditional grants received	40 324 685	79 115 000
	132 485 685	124 513 513

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All the residents with electricity get a Free Basic Electricity monthly allowance of 50kWh (2014: 50kWh), which is funded from the Equitable Share.

Municipal Government Grant

Balance unspent at beginning of year	23 974	23 974
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 17).

Capacity Building

Balance unspent at beginning of year	40 882	40 882
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Conditions still to be met - remain liabilities (see note 17).

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
25. Government grants and subsidies (continued)		
MPCC		
Balance unspent at beginning of year	500 000	500 000
Conditions still to be met - remain liabilities (see note 17).		
MFMA		
Balance unspent at beginning of year	2 602	105 127
Conditions met - transferred to revenue	-	(102 525)
	2 602	2 602
Conditions still to be met - remain liabilities (see note 17).		
Cybercadet		
Balance unspent at beginning of year	(159 829)	112 035
Conditions met - transferred to revenue	186 826	(271 864)
	26 997	(159 829)
Conditions still to be met - remain liabilities (see note 17).		
Library assistants are appointed and their salaries paid monthly.		
Intergrated Development Plan Grant		
Balance unspent at beginning of year	172 531	4 604
Current-year receipts	-	200 000
Conditions met - transferred to revenue	-	(32 073)
	172 531	172 531
Conditions still to be met - remain liabilities (see note 17).		
Improvement in the IDP processes will be undertaken in the ensuing financial year..		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	4 832 095	3 024 397
Current-year receipts	22 220 000	27 060 000
Conditions met - transferred to revenue	(29 262 316)	(25 252 302)
	(2 210 221)	4 832 095
Conditions still to be met - remain liabilities (see note 17).		
Contractors are on site and the application of roll-over as per the grant conditions has been done and awaiting approval..		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	(147 277)	-
Current-year receipts	930 000	890 000
Conditions met - transferred to revenue	(534 348)	(1 037 277)

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
25. Government grants and subsidies (continued)	248 375	(147 277)
Conditions still to be met - remain liabilities (see note 17).		
.		
Finance Management Grant		
Balance unspent at beginning of year	(3 090)	-
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 721 398)	(1 653 090)
	75 512	(3 090)
Conditions still to be met - remain liabilities (see note 17).		
.The unspent portion is fully committed.		
Synergistic partnership grant		
Balance unspent at beginning of year	245 906	245 906
Conditions met - transferred to revenue	(245 906)	-
	-	245 906
Conditions still to be met - remain liabilities (see note 17).		
Traditional leadership must be trained on the participation on the municipal council.		
Bornem grant		
Balance unspent at beginning of year	148 662	639 929
Current-year receipts	1 042 185	-
Conditions met - transferred to revenue	(530 157)	(491 267)
	660 690	148 662
Conditions still to be met - remain liabilities (see note 17).		
Projects under the MOA are still outstanding and under SCM processes		
Library Volunteer		
Balance unspent at beginning of year	8 765	15 984
Current-year receipts	78 000	-
Conditions met - transferred to revenue	(38 760)	(7 219)
	48 005	8 765
Conditions still to be met - remain liabilities (see note 17).		
The volunteers are appointed but they are getting their stipends monthly.		
Small business incubator grant		
Balance unspent at beginning of year	17 986	1 727 200
Conditions met - transferred to revenue	-	(1 709 214)
	17 986	17 986

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
25. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 17).		
The contractor is on site and finishing off the building for phase I.		
Multi-Purpose Centre grant		
Balance unspent at beginning of year	174 157	961 146
Conditions met - transferred to revenue	(174 157)	(786 989)
	-	174 157
Conditions still to be met - remain liabilities (see note 17).		
Funding has been channeled to the war rooms support and salary of the MPCC manager is paid monthly..		
Sportsfield grant (Isilonjane)		
Balance unspent at beginning of year	20 331	20 331
Conditions still to be met - remain liabilities (see note 17).		
The stadium has been completed and these funds will be returned to the department should there be no further usage approved.		
DOE Electrification Grant		
Balance unspent at beginning of year	25 000	19 627
Current-year receipts	8 500 000	10 322 000
Conditions met - transferred to revenue	(7 826 441)	(10 316 627)
	698 559	25 000
Conditions still to be met - remain liabilities (see note 17).		
The contractor is on-site and the electrification is underway.		
Extended Public Works Grant		
Balance unspent at beginning of year	-	480 740
Current-year receipts	1 254 000	-
Conditions met - transferred to revenue	(1 062 336)	(480 740)
	191 664	-
Conditions still to be met - remain liabilities (see note 17).		
.		
Sportsfield Maintenance Grant		
Balance unspent at beginning of year	164 479	150 000
Current-year receipts	40 000	150 000
Conditions met - transferred to revenue	(166 467)	(135 521)
	38 012	164 479
Conditions still to be met - remain liabilities (see note 17).		
The caretaker is appointed and salary paid monthly.		

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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25. Government grants and subsidies (continued)

Nquthu Stadium Grant

Balance unspent at beginning of year	287 333	525 000
Current-year receipts	525 000	-
Conditions met - transferred to revenue	(812 333)	(237 667)
	<u>-</u>	<u>287 333</u>

Conditions still to be met - remain liabilities (see note 17).

The contractor is on site and work is in progress.

Library Support

Balance unspent at beginning of year	165 583	-
Current-year receipts	-	1 028 000
Conditions met - transferred to revenue	(165 583)	(862 417)
	<u>-</u>	<u>165 583</u>

Conditions still to be met - remain liabilities (see note 17).

Library support staff is appointed and their salaries paid monthly.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Commissions received

Commissions received	<u>106 635</u>	<u>88 426</u>
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
27. General expenses		
Advertising	107 615	152 650
Auditors remuneration	2 547 914	2 000 751
Bank charges	145 753	121 450
Cleaning	409 757	581 211
Commission paid	77 488	56 996
Consulting and professional fees	2 019 424	2 331 134
Consumables	626 055	249 624
Debt collection	-	35 944
Entertainment	45 159	31 319
Disaster management	722 836	763 095
Hire	202 025	37 693
Insurance	673 899	540 782
Youth development	5 600 301	3 782 941
IT expenses	249 055	258 226
Publicity	1 512 182	854 879
Promotions and sponsorships	447 591	278 551
Magazines, books and periodicals	27 083	14 261
Motor vehicle expenses	120 162	99 586
Fuel and oil	2 018 640	1 525 351
Printing and stationery	261 943	333 417
Community Development Projects	1 338 842	961 782
Software expenses	802 109	736 401
Subscriptions and membership fees	505 320	475 000
Telephone and fax	301 554	273 034
Training	402 053	397 252
Travel - local	3 640 411	2 189 791
Electricity	315 250	291 750
Uniforms	391 083	508 163
Tourism development	74 154	266 206
Audit Committee	74 036	4 360
Indigent Support(FBE)	3 234 786	2 653 953
Ward Committees	1 318 623	1 170 851
Food for waste program	971 720	-
	31 184 823	23 978 404

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
28. Employee related costs		
Basic	23 524 657	19 429 553
Bonus	1 627 092	1 272 644
Medical aid - company contributions	899 179	676 066
UIF	201 674	162 267
SDL	267 685	213 893
Leave pay provision charge	1 182 337	103 000
Group Life Insurance	5 018	5 474
Defined contribution plans	2 487 957	1 908 971
Overtime payments	573 964	519 355
Long-service awards	267 018	1 278 743
Housing benefits and allowances	15 667	15 667
Telephone and Cellphone Allowance	46 800	14 750
SALGBC Levies	12 227	12 073
	31 111 275	25 612 456
Remuneration of municipal manager		
Annual Remuneration	956 214	940 253
Contributions to UIF, Medical and Pension Funds	11 610	10 966
Cellphone Allowance	12 000	12 000
	979 824	963 219
Remuneration of chief finance officer		
Annual Remuneration	842 152	828 095
Contributions to UIF, Medical and Pension Funds	10 337	9 769
Cellphone Allowance	6 000	6 000
	858 489	843 864
Corporate and human resources (corporate services)		
Annual Remuneration	758 615	745 952
Contributions to UIF, Medical and Pension Funds	9 642	9 130
Cellphone Allowance	6 000	6 000
	774 257	761 082
Development planning and Housing		
Annual Remuneration	758 615	745 952
Contributions to UIF, Medical and Pension Funds	9 753	9 130
Cellphone Allowance	6 000	6 000
	774 368	761 082
Technical Services		
Annual Remuneration	758 615	745 952
Contributions to UIF, Medical and Pension Funds	9 652	9 130
Cellphone Allowance	6 000	6 000
	774 267	761 082

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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29. Remuneration of councillors

Mayor	655 846	397 273
Deputy Mayor	529 571	322 712
Executive Committee Members	1 291 388	1 216 284
Speaker	312 222	322 712
Councillors	6 541 503	6 208 648
Contributions to UIF and SDL	58 207	52 028
	9 388 737	8 519 657

In-kind benefits

The Mayor, Deputy Mayor were designated by MEC to be full-time from October 2014, Speaker is part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.

The Mayor have the use of Council owned vehicle for official duties, the Mayor has one full-time driver.

The Councillor allowances are as per the Government Notice No. R 243 dated 25 March 2015 and approved by the MEC for CoGTA at 100% of upper-limits as applicable to grade 3 for full-time and part-time councillors.

30. Debt impairment

Contributions to debt impairment provision	1 361 591	-
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31. Investment revenue

Interest revenue

Bank	7 519 854	5 949 870
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32. Depreciation and amortisation

Property, plant and equipment	8 343 312	5 740 320
Intangible assets	-	20 560
	8 343 312	5 760 880

33. Finance costs

Non-current borrowings	28 540	45 537
Finance leases	-	1 120
	28 540	46 657

34. Auditors' remuneration

External Audit Fees	1 020 893	797 008
Internal Audit Fees	1 527 021	1 203 743
	2 547 914	2 000 751

35. Operating lease

The municipality is leasing photocopying machines on a 36 months operating starting on 01 March 2014 and ending on 28 February 2017, with an annual escalation on rentals of 10%. There is no contingent rent payable.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
35. Operating lease (continued)		
Heading		
- within one year	168 240	124 767
- later than one year and not later than five years	136 144	234 642
- later than later five years	1	1
	304 385	359 410
36. Contracted services		
Operating Leases	142 404	-
Security	2 663 637	2 988 371
	2 806 041	2 988 371
37. Grants Expenditure		
Other subsidies		
DOE Electricity infrastructure	22 347 684	9 049 672
Expanded Public Works Programme	1 078 837	1 480 741
Municipal Systems Improvement Grant	513 307	126 711
Cybercadet Grant	304 084	271 864
Sportfield (mantainance)	165 904	135 401
DLGTA- IDP	157 200	28 442
Synergestic Partnership	177 534	-
Municipal Finance Management Grant	1 840 036	1 543 098
Bornem Grant	511 760	769 647
Library grant	951 259	905 232
Incubator Grant (Operational)	11 626	-
MFMA grant expense	179 940	-
MPCC Grant expenditure	189 935	268 291
	28 429 106	14 579 099
38. Bulk purchases		
Electricity	17 314 896	15 718 276
39. Cash generated from operations		
Surplus	38 189 153	60 098 110
Adjustments for:		
Depreciation and amortisation	8 343 312	5 760 880
Profit/Loss on sale of assets and liabilities	20 127	129 808
Finance costs - Finance leases	-	1 120
Debt impairment	1 361 591	-
Movements in retirement benefit assets and liabilities	14 256	1 231 991
Movements in provisions	885 971	14 630
Changes in working capital:		
Inventories	(11 143)	(249 321)
Receivables from exchange transactions	284 732	(3 708 494)
Consumer debtors	(1 361 591)	-
Other receivables from non-exchange transactions	(2 724 857)	(3 870 705)
Prepayments	(1 329 395)	72 643
Payables from exchange transactions	15 056 912	439 854
VAT	(2 947 172)	(1 252 592)
Unspent conditional grants and receipts	8 005 813	(2 076 795)
Consumer deposits	113 347	(1 375)
	63 901 056	56 589 754

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
40. Commitments		
Authorised capital expenditure		
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	27 321 724	39 192 000
Total capital commitments		
Not yet contracted for and authorised by accounting officer	27 321 724	39 192 000

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. Additional information on leases is disclosed on note 35

41. Contingencies

The Municipality has the following contingent liabilities:

A middle-income housing developer contracted by the municipality is suing the municipality for an alleged breach of the contract and the municipality is defending the matter and is awaiting legal advice of the Senior Counsel (there are also various cases linked to this case, which maybe treated as one which were lodged by prospective buyers), exact amounts cannot be determined because the developer has been refusing to handover all the information to the municipality.

There are invoices - R 2 792 516 - from Umzinyathi District for water that the municipality is disputing because issues relating to them and the matter is being currently resolved through Intergovernmental Relations (IGR)

42. Related parties

The salaries of members of key management and councilors are disclosed under the employee costs note 28. The municipality does not have any other related parties except for the management and councillors we also do not have a municipal entity.

Related party transactions

The municipality did not have any related party transactions.

43. Prior period errors

There were no prior period errors identified.

44. Comparative figures

No comparative figures have been reclassified.

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: the current global economic crisis may have effect whereby businesses closes and fail to pay their debts due, also the unemployment levels will increase and more debts maybe written-off.

Interest rate risk

As the municipality does have significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. But the municipality is only investing on banks as per Cash and Investment regulations which limits the exposure.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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45. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. .

46. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

47. Events after the reporting date

There were no material non-adjusting events after the reporting date:

48. Unauthorised expenditure

The unauthorised expenditure is resulting from the over-spending of votes which condonation was obtained from the Council.

49. Fruitless and wasteful expenditure

Opening balance	73 712	46 165
Fruitless and wasteful expenditure	4 740	27 547
	78 452	73 712

The matter is being investigated by the office of the Accounting Officer for possible disciplinary action against the officials who caused the municipality to suffer loss. These relate to interest charged on late payment of accounts (Eskom, Telkom & Motor Vehicle licences)

50. Irregular expenditure

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	475 000	475 000
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Audit fees

Current year subscription / fee	1 020 893	797 008
Amount paid - current year	(1 020 893)	(797 008)
	-	-

PAYE and UIF

Current year subscription / fee	5 290 690	4 429 555
Amount paid - current year	(5 290 690)	(4 429 555)
	-	-

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	3 563 384	2 737 991
Amount paid - current year	(3 563 384)	(2 737 991)
	-	-
VAT		
VAT receivable	5 580 550	2 633 378

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2015 or who had accounts outstanding for more than 90 days during a financial year.

52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

53. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the financial statements.

There were no deviations from SCM processes recorded. Except for the purchase of electronic learner driving licence procurement that was purchased from the sole service provider authorised by the Department of Transport to supply such system.

55. Assets subject to restrictions

There are no assets that are subject to any restrictions.

56. Budget differences

Material differences between budget and actual amounts

There were no material differences between the final budget and the actual amounts. Variances are stated in Appendix E1

Changes from the approved budget to the final budget

There were no changes from the approved budget to the final budget.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
57. Material Losses - Electricity		
Total purchased (kWh)	18 799 200	18 648 600
Total sold (kWh)	(6 691 652)	(5 960 212)
Own consumption (kWh)	(110 625)	(123 453)
Free Basic Electricity (kWh)	(579 322)	(561 600)
Electricity loss (kWh)	11 417 601	12 003 335

The municipality is licensed by the National Electricity Regulator of South Africa to distribute electricity within the proclaimed area of Nquthu Town.

The municipality has investigated the causes of the losses and the major contributing factors are illegal connections, tampering, accounting for streetlight usage and technical/distribution losses due to ageing infrastructure.

The percentage of losses is 63.80%(2014:62.00%) on kWh

58. Indigent support

Free Basic Electricity

3 234 786	2 326 121
-----------	-----------

All Eskom customers qualify for Free Basic Electricity (FBE) which is 50kWh per month

Households amounting to 1 180 are subsidized for alternative energy per month on the solar panels - 1 713 households - projects for those areas without electricity as yet, installations to other households is proceeding.

Electricity customers serviced by our licence also get a 50kWh every month. The management has been tasked to develop a policy where only deserving households benefits in all these rather than the current blanket approach.

59. Awards to persons in service of state

There are no suppliers who are in service of state that has been appointed in this financial year.

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA Loan @ 5%	100524/3 January 2016	598 292	-	230 507	367 785	1 604 137	-
		598 292	-	230 507	367 785	1 604 137	-
Total external loans		598 292	-	230 507	367 785	1 604 137	-

Nquthu Local Municipality
Nquthu Local Municipality
Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	13 270 852	-	-	-	-	-	13 270 852	-	-	-	-	-	-	13 270 852
Dwellings	2 284 926	-	-	-	-	-	2 284 926	(334 401)	-	-	(128 499)	-	(462 900)	1 822 026
Buildings - non residential (Separate for AFS purposes)	35 276 959	-	(30 102)	7 426 293	-	-	42 673 150	(6 655 964)	5 100	-	(1 599 866)	-	(8 250 730)	34 422 420
Buildings - Assets under construction (Separate for AFS purposes)	21 274 312	41 915 676	-	(33 810 050)	-	-	29 379 938	-	-	-	-	-	-	29 379 938
	72 107 049	41 915 676	(30 102)	(26 383 757)	-	-	87 608 866	(6 990 365)	5 100	-	(1 728 365)	-	(8 713 630)	78 895 236
Infrastructure														
Roads, Pavements & Bridges	68 012 331	-	-	21 991 292	-	-	90 003 623	(14 615 139)	-	-	(3 187 775)	-	(17 802 914)	72 200 709
Electricity	7 738 183	-	-	4 737 979	-	-	12 476 162	(5 578 080)	-	-	(203 572)	-	(5 781 652)	6 694 510
Roads Under Construction	24 007 439	20 311 709	-	(21 991 292)	-	-	22 327 856	-	-	-	-	-	-	22 327 856
	99 757 953	20 311 709	-	4 737 979	-	-	124 807 641	(20 193 219)	-	-	(3 391 347)	-	(23 584 566)	101 223 075
Community Assets														
Refuse sites	2 269 459	-	-	-	-	-	2 269 459	(1 221 392)	-	-	(59 552)	-	(1 280 944)	988 515
Cemeteries	149 466	673 568	-	-	-	-	823 034	(50 516)	-	-	(8 386)	-	(58 902)	764 132
	2 418 925	673 568	-	-	-	-	3 092 493	(1 271 908)	-	-	(67 938)	-	(1 339 846)	1 752 647

June 2015

Cost/Revaluation

Heritage assets

Jewellery

Other assets

Motor Vehicles
Plant & equipment
Computer Equipment
Office Equipment
Work in progress - Vehicles

Total property plant and equipment

Land and buildings
Infrastructure
Community Assets
Heritage assets
Other assets

Intangible assets

Computers - software & programming

Investment properties

Investment property

Total

- Land and buildings
- Infrastructure
- Community Assets
- Heritage assets
- Other assets
- Intangible assets
- Investment properties

June 2015

Segmental analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Finance	6 250 109	-	-	-	-	-	6 250 109	(1 339 218)	-	-	-	-	(1 339 218)	4 910 891
Municipal Manager	78 647 899	-	-	-	-	-	78 647 899	(6 236 565)	-	-	-	-	(6 236 565)	72 411 334
Planning and Development/Economic Development/Plan	1 335 128	-	-	-	-	-	1 335 128	(163 684)	-	-	-	-	(163 684)	1 171 444
Corporate Services	25 232 397	-	-	-	-	-	25 232 397	(5 752 568)	-	-	-	-	(5 752 568)	19 479 829
Electricity /Electricity Distribution	7 774 773	-	-	-	-	-	7 774 773	(5 823 297)	-	-	-	-	(5 823 297)	1 951 476
Works	132 908 193	-	-	-	-	-	132 908 193	(20 837 618)	-	-	-	-	(20 837 618)	112 070 575
	252 148 499	-	-	-	-	-	252 148 499	(40 152 950)	-	-	-	-	(40 152 950)	211 995 549
Total														
Municipality	252 148 499	-	-	-	-	-	252 148 499	(40 152 950)	-	-	-	-	(40 152 950)	211 995 549
	252 148 499	-	-	-	-	-	252 148 499	(40 152 950)	-	-	-	-	(40 152 950)	211 995 549

Nquthu Local Municipality

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Property rates	19 102 373	17 333 648	1 768 725	10.2	
Service charges	12 230 108	17 347 061	(5 116 953)	(29.5)	
Rental of facilities and equipment	485 304	-	485 304	-	
Licences and permits	84 526	-	84 526	-	
Municipal Revenue UD1	105 311 727	104 489 000	822 727	0.8	
Miscellaneous other revenue	541 980	-	541 980	-	
Commissions received	106 635	-	106 635	-	
Other income 1	1 847 829	1 260 660	587 169	46.6	
Interest received - investment	7 519 854	3 700 000	3 819 854	103.2	
	147 230 336	144 130 369	3 099 967	2.2	
Expenses					
Personnel	(31 111 269)	(37 935 948)	6 824 679	(18.0)	Some employees not using housing, medical benefits as budgeted. Overtime restriction
Remuneration of councillors	(9 388 738)	(13 433 159)	4 044 421	(30.1)	Approved upper-limits more than budgeted for and new items added on approval
Depreciation	(8 343 312)	(5 500 000)	(2 843 312)	51.7	Major infrastructure projects completed earlier than expected
Amortisation	-	-	-	-	
Finance costs	(28 540)	(29 950)	1 410	(4.7)	
Bad debts written off	(1 361 591)	(1 000 000)	(361 591)	36.2	
Repairs and maintenance - General	(5 376 952)	-	(5 376 952)	-	
Repairs and maintenance - General	(1 961)	-	(1 961)	-	
Bulk purchases	(17 314 896)	(18 173 000)	858 104	(4.7)	Based on electricity consumptions
Contracted Services	(2 806 041)	-	(2 806 041)	-	
Transfers and Subsidies	(28 429 105)	(6 278 000)	(22 151 105)	352.8	
General Expenses	(31 187 756)	(56 023 552)	24 835 796	(44.3)	
	(135 350 161)	(138 373 609)	3 023 448	(2.2)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(20 127)	-	(20 127)	-	
	(20 127)	-	(20 127)	-	
Net surplus/ (deficit) for the year	11 860 048	5 756 760	6 103 288	106.0	

Nquthu Local Municipality

Appendix E(2)

June 2015

Budget Analysis of Capital Expenditure as at 30 June 2015

	Yearly		Yearly		Explanation of significant variances from budget
	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	
Municipality					
Mayor and Council	86 612	-	(86 612)	-	
Municipal Manager	15 126 884	-	(15 126 884)	-	
Planning and Development/Economic Development/Plan	630 435	-	(630 435)	-	
Finance & Admin/Finance	860 255	-	(860 255)	-	
Corporate service	1 571 425	-	(1 571 425)	-	
Road Transport/Roads	32 777 081	-	(32 777 081)	-	
Electricity /Electricity Distribution	50 638	-	(50 638)	-	
	51 103 330	-	(51 103 330)	-	

Nquthu Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Library support	KZN-Arts & Culture (Libraries)	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	1 070 000	-	-	232 153	248 825	463 349	291 256	-	-	-	-		Yes	
Eletrification		-	7 000 000	1 500 000	-	5 840 831	1 613 610	-	-	-	-	-	-		Yes	
Cybercadet		-	252 000	-	240 000	80 884	81 995	70 262	72 033	-	-	-	-		Yes	
MPCC1	KZN COGTA	-	-	-	-	54 401	60 763	74 949	50 806	-	-	-	-		Yes	
MIG	National COGTA	10 828 000	-	11 392 000	-	3 199 937	2 383 589	3 691 529	9 987 261	-	-	-	-		Yes	
Sportfield Nquthu	KZN Sports	525 000	-	-	-	150 042	120 680	-	541 610	-	-	-	-		Yes	
Sportfield Maintance	KZN Sports	-	-	-	-	50 007	49 768	50 103	16 589	-	-	-	-		Yes	
MSIG	COGTANational	930 000	-	-	-	-	-	260 019	274 329	-	-	-	-		Yes	
Bornem Grant	Bornem Municipality	779 308	-	-	262 877	-	109 210	205 463	109 924	-	-	-	-		Yes	
Financial Management Grant	National Treasury	1 800 000	-	-	-	398 108	579 968	437 386	305 936	-	-	-	-		Yes	
Synergistic		-	-	-	-	-	264 110	-	-	-	-	-	-		Yes	
Massification	KZN - COGTA	-	-	-	13 970 000	-	-	-	-	-	-	-	-		Yes	
Electricity		-	-	-	-	-	-	-	-	-	-	-	-		Yes	
EPW		502 000	-	376 000	376 000	-	1 062 336	-	-	-	-	-	-		Yes	
Road Reh.	KZN COGTA	-	-	133 000	78 000	-	-	133 000	-	-	-	-	-		Yes	
Library Volunteer		-	-	-	-	9 690	28 686	9 690	9 689	-	-	-	-		Yes	
		15 364 308	3 322 000	13 401 000	14 926 877	3 016 053	3 603 540	5 395 750	1 659 433	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Nquthu Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2014/2015							2013/2014							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	17 400 000	-	17 400 000	-		17 400 000	12 675 884		(4 724 116)	73 %	73 %				12 675 866
Property rates - penalties & collection charges	726 208	-	726 208	-		726 208	1 264 854		538 646	174 %	174 %				956 099
Service charges - electricity revenue	16 000 000	-	16 000 000	-		16 000 000	9 797 702		(6 202 298)	61 %	61 %				9 890 804
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	1 347 061	-	1 347 061	-		1 347 061	2 432 406		1 085 345	181 %	181 %				5 437 416
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	523 589	61 974	585 563	-		585 563	485 304		(100 259)	83 %	93 %				519 390
Interest earned - external investments	2 000 000	1 700 000	3 700 000	-		3 700 000	7 519 854		3 819 854	203 %	376 %				5 949 870
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	245 000	-	245 000	-		245 000	629 383		384 383	257 %	257 %				416 243
Licences and permits	-	-	-	-		-	84 526		84 526	DIV/0 %	DIV/0 %				-
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	97 485 000	-	97 485 000	-		97 485 000	-		(97 485 000)	- %	- %				-
Other revenue	(596 104)	-	(596 104)	-		(596 104)	648 615		1 244 719	(109)%	(109)%				701 788
Gains on disposal of PPE	-	-	-	-		-	(20 127)		(20 127)	DIV/0 %	DIV/0 %				(129 808)
Total Revenue (excluding capital transfers and contributions)	135 130 754	1 761 974	136 892 728	-		136 892 728	35 518 401		(101 374 327)	26 %	26 %				36 417 668

Nquthu Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

2014/2015										2013/2014				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Employee related costs	38 290 766	751 000	39 041 766	-	90 948	39 132 714	31 111 269	(8 021 445)	80 %	81 %	-	-	-	25 612 459
Remuneration of councillors	13 433 158	34 000	13 467 158	-	-	13 467 158	9 388 738	(4 078 420)	70 %	70 %	-	-	-	8 519 657
Debt impairment	1 000 000	-	1 000 000	-	-	1 000 000	1 361 591	361 591	136 %	136 %	-	-	-	-
Depreciation & asset impairment	5 500 000	-	5 500 000	-	-	5 500 000	8 343 312	2 843 312	152 %	152 %	-	-	-	5 760 880
Finance charges	148 000	(130 000)	18 000	-	12 000	30 000	28 540	(1 460)	95 %	19 %	-	-	-	46 658
Bulk purchases	17 000 000	-	17 000 000	-	1 173 000	18 173 000	17 314 896	(858 104)	95 %	102 %	-	-	-	15 718 276
Other materials	808 000	149 000	957 000	-	-	957 000	-	(957 000)	- %	- %	-	-	-	-
Contracted services	2 694 531	146 000	2 840 531	-	-	2 840 531	2 806 041	(34 490)	99 %	104 %	-	-	-	2 988 371
Transfers and grants	9 868 000	(660 000)	9 208 000	-	207 719	9 415 719	15 209 263	5 793 544	162 %	154 %	-	-	-	(14 579 100)
Other expenditure	32 697 050	2 888 000	35 585 050	-	-	35 585 050	19 356 956	(16 228 094)	54 %	59 %	-	-	-	22 378 627
Loss on disposal of PPE	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	121 439 505	3 178 000	124 617 505	-	1 483 667	126 101 172	104 920 606	(21 180 566)	83 %	86 %	-	-	-	66 445 828
Surplus/(Deficit)	13 691 249	(1 416 026)	12 275 223	-	(1 483 667)	10 791 556	(69 402 205)	(80 193 761)	(643)%	(507)%				(30 028 160)
Transfers recognised - capital	80 259 000	(40 069 000)	40 190 000	-	-	40 190 000	-	(40 190 000)	- %	- %				-
Contributions recognised - capital	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	93 950 249	(41 485 026)	52 465 223	-		52 465 223	(69 402 205)	(121 867 428)	(132)%	(74)%				(30 028 160)
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	93 950 249	(41 485 026)	52 465 223	-		52 465 223	(69 402 205)	(121 867 428)	(132)%	(74)%				(30 028 160)
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	93 950 249	(41 485 026)	52 465 223	-		52 465 223	(69 402 205)	(121 867 428)	(132)%	(74)%				(30 028 160)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	93 950 249	(41 485 026)	52 465 223	-		52 465 223	(69 402 205)	(121 867 428)	(132)%	(74)%				(30 028 160)

Nquthu Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2015

	2015/2014						2014		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	37 579 403	-	37 579 403	37 579 403	51 949 283	14 369 880	138 %	138 %	49 744 289
Government - operating	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	-	-	-	7 519 854	7 519 854	DIV/0 %	DIV/0 %	5 949 870
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	129 702 611	-	129 702 611	129 702 611	118 934 622	(10 767 989)	92 %	92 %	85 083 271
Finance charges	-	-	-	-	28 540	28 540	DIV/0 %	DIV/0 %	46 658
Transfers and Grants	-	-	-	-	(28 429 105)	(28 429 105)	DIV/0 %	DIV/0 %	(14 579 100)
Net cash flow from/used operating activities	167 282 014	-	167 282 014	167 282 014	150 003 194	(17 278 820)	90 %	90 %	126 244 988
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	(20 127)	(20 127)	DIV/0 %	DIV/0 %	(129 808)
Decrease (increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used investing activities	-	-	-	-	(20 127)	(20 127)	DIV/0 %	DIV/0 %	(129 808)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	(241 440)	(241 440)	DIV/0 %	DIV/0 %	(471 834)
Increase (decrease) in consumer deposits	-	-	-	-	113 347	113 347	DIV/0 %	DIV/0 %	(1 375)
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	-	-	-	-	(128 093)	(128 093)	DIV/0 %	DIV/0 %	(473 209)
Net increase/(decrease) in cash held	167 282 014	-	167 282 014	167 282 014	149 854 974	(17 427 040)	90 %	90 %	125 641 971
Cash/cash equivalents at the year end:	167 282 014	-	167 282 014	167 282 014	244 814 836	(17 427 040)	146 %	146 %	80 944 645